

**Supporting Statement**  
**Approval Request to Conduct Cognitive and Psychological**  
**Research**  
**(OMB #1545-1349)**  
**Form 8863 Education Credits (American Opportunity and**  
**Lifetime Learning Credits**

**A. JUSTIFICATION**

**1. Circumstances Making the Collection of Information Necessary**

The Tax Forms and Publications (TF&P) Office of the Internal Revenue Service (IRS), Wage and Investment division, creates tax forms, instructions, and related publications to enable taxpayers to understand and fulfill their filing and reporting obligations under the tax laws of the United States.

In order to address the changes being recommended for Form 8863, TF&P seeks reaction and suggestions for improvement from individual and tax preparers. TF&P would like to use focus groups to determine the usability and understandability for the form and its' instructions, and receive specific suggestions for improvements. TF&P will use these suggestions to improve the Form 8863 and its' instructions.

**2. Purpose and Use of the Information Collection**

The objective of these focus groups is to gather input from taxpayers and tax practitioners to determine their reaction to the Form 8863 and its' instructions. The specific business questions to be explored by this project are to:

- Participants' overall perception of, revised Form 8863 and its' accompanying instructions
- Common errors participants make when completing Form 8863
- Parts of the form and instructions that participants find most helpful
- Specific suggestions participants have for improving Form 8863 and its' instructions

This information will assist the division in developing clear tax products that assist taxpayers in voluntarily meeting their tax obligations and reporting their business income accurately. To achieve these objectives, the division plans to hire a vendor, ICF Macro, conduct a total of 8 focus groups, (2 per city) in 4 separate cities. Each focus group will consist of at least 8 participants, with 10

being the ideal number of participants. Upon arrival, participants will be re-screened to confirm their eligibility.

TF&P also expects to gain knowledge of participants' reactions to the revised form to discover what parts of the documents lead to error or misunderstanding. Upon completion of this project ICF Macro will submit a report of findings to TF&P to determine improvements that could be made. The feedback received will not institute new policy, yet enable the Service to effectively meet taxpayer needs.

### **3. Consideration Given to Information Technology**

Not Applicable

### **4. Duplication of Information**

No similar data are gathered or maintained by the Agency or are available from other sources known to the IRS.

### **5. Reducing the Burden on Small Entities**

Small business or other small entities will not be involved in these efforts.

### **6. Consequences of Not Conducting Collection**

Without this type of feedback, IRS will not have timely information to improve TF&P's Form 8863 and its' instructions to meet the needs of our taxpayers. Improvement to the tax form and instructions should improve voluntary compliance and assist taxpayer in answering their tax questions.

### **7. Special Circumstances**

There are no special circumstances. The information collected will be voluntary and will not be used for statistical purposes.

### **8. Consultations with Persons Outside the Agency**

NA

### **9. Payment or Gift**

IRS will provide a stipend of \$75 to each focus group participant to participate in a 2 hours session.

### **10. Confidentiality**

The data returned to IRS will have no identifying information relating specific records to individual taxpayers. Nonetheless, IRS will ensure that privacy to the extent allowed by law and security of the aggregated results will receive the utmost attention. Public and official access to the information will be tightly controlled. The computer files containing this tabulated information will remain password protected at all times. Data security approaching level C-2 will be accomplished using the Windows XP operating system.

Audiotapes used to record testing sessions will be destroyed when the project is completed and there is no further need for the data.

We will apply fair information and record-keeping practices to ensure protection of all taxpayers. The criterion for disclosure laid out in the Privacy Act, the Freedom of Information Act, and section 6103 of the Internal Revenue Code, provides for the protection of taxpayer information as well as its release to authorized recipients.

### 11. Sensitive Nature

No questions will be asked that are of a personal or sensitive nature.

### 12. Burden of Information Collection

We expect to contact 800 potential participants to recruit 96 actual participants. We expect 10 participants to show for each focus group session. If more than 10 participants show at any session, they will be paid the honorarium and be told their participation is not required. Travel time for participant sent home is not included in burden hours.

Category of Respondent	No. of Respondents	Participation Time (In Minutes)	Burden (In Hours)
Recruitment	800	5	66.7
Follow-up Phone Call	96	1	1.6
Travel to Focus Group Facility	96	30	48
Individual and Tax Practitioners	80	120	160
<b>Totals</b>	<b>80</b>	<b>156</b>	<b>276.3</b>

\*Total Burden hours also includes time to recruit participants which is in addition to the 2.5 hours of focus group testing.

### 13. Costs to Respondents

No costs are anticipated.

#### **14. Costs to Federal Government**

The anticipated cost to the Federal Government to conduct this focus group is approximately \$98,000 a. These costs are comprised of: hiring a vendor to recruit participants, secure facilities, pay honorarium, moderate focus group, analyze data and prepare report. It also includes travel expenses for the vendor and IRS employees to travel to the focus group sites. IRS employees will serve as observers to ensure the focus group is conducted in accordance to the moderator's guide.

#### **15. Reason for Change**

N/A

#### **16. Tabulation of Results, Schedule, Analysis Plans**

The vendor will prepare a report will include the recommendations of the focus group participants. The recommendations will be shared wit the program owner for follow-up action.

#### **17. Display of OMB Approval Date**

We are requesting no exemption.

#### **18. Exceptions to Certification for Paperwork Reduction Act Submissions**

These activities comply with the requirements in 5 CFR 1320.9.

#### **19. Data Collection Dates**

Data collection will begin May 15, 2012 and end June 5, 2012

## B. STATISTICAL METHODS

### 1. Universe and Respondent Selection

The plan includes recruiting 12 participants for each focus group with the expectation of 10 participants to show. The vendor will perform all recruiting based on the following criteria.

Demographics Chart

<b>Gender</b>	Mix
<b>Race/Ethnicity</b>	Mix
<b>Filing Status</b>	Mix
<b>Income</b>	Mix
<b>Age</b>	Mix
<b>Education</b>	Mix
<b>Individual</b>	File a 2010 Form 1040, US Individual Income Tax Return (Long Form) or Form 1040A US Individual Income Tax Return (Short Form).
<b>Tax Preparer</b>	File at least 25 Form 8863 for Tax Year 2011 for their clients.
<b>Special characteristics</b>	Individual taxpayers should meet the following criteria: <ul style="list-style-type: none"><li>• at least 18 years old</li><li>▪ 100% of participants should have filed their own return. Fifty percent of these taxpayers must have filed their return using paper and pencil.</li><li>▪ Participant must have filed a F 8863 with their 2011 return.</li></ul>

### 2. Procedures for Collecting Information

IRS plans to hire a vendor to conduct 8 focus groups for this project. A moderator's guide will be used by the vendor to obtain information from participants.

### **3. Methods to Maximize Response**

Information collected under this information collection will not yield generalizable quantitative findings; it can provide useful customer input, but it does not yield data about customer opinions that can be generalized.

### **4. Testing of Procedures**

Pretesting will not be conducted.

### **5. Contacts for Statistical Aspects and Data Collection**

The vendor hired by the IRS will perform all statistical analysis for this project.